

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 FEA-01 ERDA-05 CEA-01

FPC-01 INT-05 SAM-01 OES-03 STR-04 /104 W

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TO SECSTATE WASHDC 5742

INFO AMCONSUL CASABLANCA

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CORRECTED COPY (PARAGRAPH ONE)

E.O. 11652: GDS

TAGS: EINV ENRG EIND MO

SUBJECT: ESSO MOROCCANIZATION: LIGHT AT THE END OF THE TUNNEL?

REF: RABAT 2820

1. MOROCCAN ECOUN BENJELLOUN CARRIED OUT PROBING MISSION REPORTED REFTEL WITH HOPED FOR RESULTS. DURING TUESDAY BCIU LUNCHEON INFORMED AMBASSADOR AND ECOUN THAT GOM AGREEABLE IN PRINCIPLE TO 100 PER CENT ESSO SELL-OUT AND THAT POTENTIAL FOR TICKLISH GOVERNMENT-TO-GOVERNMENT PROBLEMS ARISING FROM HICKENLOOPER AND NEW TRADE ACT FULLY UNDERSTOOD. (BELIEVE CAREFUL SPADEWORK BY DESK WITH MOROCCAN EMBASSY, PLUS EMERGING TIGHT FINANCIAL SITUATION IN WHICH NEED TO ATTRACT NEW CAPITAL THROUGH DIRECT INVESTMENT IS INCREASINGLY APPRECIATED, HELPED THIS UNDERSTANDING TAKE ROOT.) BENJELLOUN SUGGEST STARTING PLACE FOR ESSO AFRICA PRESIDENT VASTOLA WAS, HOWEVER, WITH MINCOM GHISSASSI AND SECSTATE ECONOMIC AFFAIRS BELKHAYAT, NOT PM.

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2. NEITHER BELKHAYAT NOR BENJELLOUN SHOWED FOR GHISSASSI APPOINTMENT ON JUNE 18, BUT MINCOM PROVED FULLY BRIEFED AND AWARE OF ISSUES. AGREED IN PRINCIPLE TO SELL-OUT CONCEPT, BUT CAUTIONED THAT WITHOUT TRADEMARK NEW VALUATION ISSUES COULD ARISE. NEVERTHELESS AGREED TO CONVENE WORKING GROUP TO EXPLORE ESSO PROPOSALS IN DETAIL.

3. WORKING SESSION TOOK PLACE LATE AFTERNOON JUNE 18 UNDER SURVEILLANCE DIRECTOR MINES, GEOLOGY AND ENERGY SKALLI. ALSO PRESENT DOUIEB OF SNPP, MINFIN REP, SKANE, VASTOLA AND ECOUN. SKALLI GAVE NEGOTIATIONS HELPFUL START BY ASKING BOTH SIDES TO REFRAIN FROM GOING OVER PAST GROUND. WE WERE CONFRONTING ENTIRELY NEW NEGOTIATING SITUATION. DOUIEB APPEARED HARD OF HEARING AND SPENT NEXT TWO AND A HALF HOURS IN VIRUTAL MONOLOGUE DEVOTED TO ARGUMENT THAT 100 PER CENT OF ESSO MAROC WITHOUT TRADEMARK WORTH CONSIDERABLY LESS THAN TWO TIMES 50 PER CENT OF COMPANY WITH TRADEMARK. OUTLOOK BEGAN TO LOOK DIM.

4. AFTER BRIEF BREAK TO REGROUP, ATMOSPHERE CHANGED DRAMATICALLY AND U.S. SIDE GOT OTHERS TO FOCUS ON WORTH OF EXCLUSIVE AGENT FRANCHISE BEING OFFERED AS COUNTER-VALUE TO TRADEMARK REMOVAL. IN FAIRLY SHORT ORDER, ORAL AD REFERENDUM FRAMEWORK AGREEMENT WAS WORKED OUT: ESSO TO ACCEPT 5.5 PER CENT LOCAL INTEREST RATE ON BLOCKED ACCOUNT IN RETURN FOR FUNDING EITHER AS SNPP DOLLAR-DENOMINATED OBLIGATION OR 5.5 PER CENT TREASURY BONDS WPOH EXCHANGE VALUE GUARANTEED IN SIDE LETTER FROM MINFIN. AMOUNT PAYABLE IN EQUAL INSTALLMENTS IN YEAR 5, 6, AND 7. COMPANY VALUE TO BE ESTABLISHED AS OF DECEMBER 31, 1974 BOOK INSTEAD OF DATE OF DAHIR. QUESTIONS OF ACCOUNTING DIFFERENCES WHICH HAVE ARISEN SINCE SNPP REQUISITION TO BE DISCUSSED SUBSEQUENTLY BETWEEN TECHNICIANS. SINCE MINFIN APPROVAL REQUIRED ON DOLLAR-DENOMINATION/EXCHANGE RATE GUARANTEE--WHICH CRUCIAL ELEMENT IN SOLUTION--IT AGREED TO MEET AGAIN AFTERNOON OF JUNE 19. WITH CONSIDERABLE MOMENTUM ESTABLISHED AND PROMISE OF NEXT-DAY REPLY FROM MINFIN, U.S. SIDE LEFT WITH SOME OPTIMISM FRAMEWORK AGREEMENT COULD BE INITIALLED NEXT DAY.

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5. JUNE 19 MEETING DELAYED ONE HOUR WHILE ESSO REPS AND ECOUN COOLED HEELS. SKALLI SHOWED UP MOPPING FACE AND IN OBVIOUS DISTRESS. APOLOGIZED FOR DELAY, ASSERTING WITH EVIDENT DISCOMFORT AND APPARENT TOTAL FRANKNESS THAT MINISTER FINANCE SIMPLY UNAVAILABLE ALL DAY BECAUSE OF CONCURRENT MEETING OF HIGHER PLANNING COUNCIL (HPC). COUNCIL HAD BEEN CHARGED BY KING TO COMPLETE APPROVAL OF REVISED PLAN THAT EVENING TO PERMIT CERMONIAL CLOSURE ON FRIDAY AND ALL SENIOR

ECONOMIC OFFICIALS SIMPLY INACCESSIBLE. SUGGESTED BEST PLAN IN CIRCUMSTANCES WAS FOR ESSO TO PUT POINTS ORALLY AGREED UPON INTO WRITTEN FORM, INCLUDING FIGURE FOR YEAR-END 1974 BOOK VALUE BUT WITH NO RPT NO EFFORT TO ENTER INTO DETAILS OF HOW FIGURE ARRIVED AT. HE TOLD VASTOLA HE'D TRUST HIM TO GIVE AN HONEST FIGURE, BO BEGGED HIM TO MAKE IT AN ABSOLUTE MINIMUM. VASTOLA AGREED AND SKALLI LEFT AGAIN FOR HPC MEETINGS WHERE HE'D SPENT DAY WITH VIRTUALLY ALL SENIOR GOM FNONOMIC OFFICIALS.

6. THIS TEARS TIMETABLE AND LOSES MOMENTUM; BUT VASTOLA-- IMPRESSED BY SKALLI'S OBVIOUS GOODWILL OF DAY BEFORE AND EVIDENT EMBARREISMENT THAT HE'D BEEN UNABLE TO DELIVER PROMISED QUICK RESPONSE--LEFT FEELING OUTCOME POSITIVE. HE AND SKANE WILL RETURN TO LONDONHVER WEEKEND TO PUT AGREEMENT IN FINAL FORM, HAVING BEEN GRANTED DRAFTING INITIATIVE, VALUE ITS INITIATIVE, AND CHANCE TO CLEAR DETAILS WITH ESSO LAWYERS. WE INTERPRET SKALLI OFFER AS INTIMATION HE CONSIDERS AGREEMENT SO CLOSE HE WILLING TO ENTER LISTS WITH DOUIEB AND MINFIN IF NECESSARY TO CHAMPION ESSO PROPOSAL. HE MAY EVEN BE ABLE TO DO BETTER JOB THAN WITH US AROUND THE TABLE TO WATCH THE SQUABBLE (HE AND DOUIEB ARE REPORTEDLY ARCH RIVALS). HAVING BEEN CHOSEN BY MINCOM GHISSASSI TO STRAIGHTEN OUT AN UNPLEASANT MESS, SKALLI SEEMS CONFIDENT HE WILL HAVE GHISSASSI'S BACKING IN A SHOWDOWN.

7. NEW TIMETABLE AND OUTLOOK: SKANE PLANS RETURN TO RABAT EARLY NEXT WEEK TO PRESENT OUTLINE AGREEMENT TO SKALLI. WHEN SKALLI GIVES EXPECTED RESPONSE (ANOTHER TWO OR THREE DAYS), VASTOLA WILL RETURN TO RABAT WITH LAWYERS. IF WE'RE GOING TO HAVE AN AGREEMENT AT ALL, IT SHOULD BE SIGNED WITHIN 10 DAYS OR TWO WEEKES, THOUGH SIDE TALKS ON CONFIDENTIAL

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SOME DETAILED ELEMENTS, E.G., FRANCHISE CONTRACTS, MAY GO ON FOR SOME TIME. MAJOR UNCERTAINTIES ARE (1) POSSIBLE ADAMANT REFUSAL BY SNPP DIRECTOR TO ACCEPT ESSO VALUATION FIGURE WITHOUT FURTHER TALKS WHICH WOULD EXHAUST EXISTING ESSO GOODWILL AND THREATEN WITHDRAWAL OF GENEROUS FRANCHISE OFFER; RDWL SOME LEGAL STUMBLING BLOCK FROM MINFIN ON DOLLAR-DENOMINATION/EXCHANGE GUARANTEE ELEMENT. GIVEN MANIFEST DESIRE MINCOM AND SKALLI FOR SETTLEMENT AND ECONOMIC SECSTATE BELKHAYAT'S ASSURANCE TO AMBASSADOR THAT HE PREPARED INTERVENE IN CASE OF NEED, WE HOPEFUL, WE HAVE THE NECESSARY ARTILLERY TO DETER EITHER EVENTUALITY. FOR MOMENT, EMBASSY BELIEVES IT CAN STEP ASIDE AND LET MATTERS TAKE THEIR COURSE. AMBASSADOR AND ECOUN READY TO REENGAGE HOWEVER IF NEW PROBLEMS ARISE OR SLIPPAGE BEGINS TO OCCUR.  
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